

HOUSE BILL No. 1511

DIGEST OF INTRODUCED BILL

Citations Affected: IC 6-3.1-20.

Synopsis: Credit for inventory tax. Provides a state income tax credit against gross income taxes and adjusted gross income taxes for a certain percentage of property taxes paid by the taxpayer on business inventory.

Effective: July 1, 1999; January 1, 2000.

Becker, Budak, Ayres

January 19, 1999, read first time and referred to Committee on Ways and Means.

C
o
p
y



Introduced

First Regular Session 111th General Assembly (1999)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 1998 General Assembly.

HOUSE BILL No. 1511

A BILL FOR AN ACT to amend the Indiana Code concerning taxation.

Be it enacted by the General Assembly of the State of Indiana:

1 SECTION 1. IC 6-3.1-20 IS ADDED TO THE INDIANA CODE
2 AS A **NEW** CHAPTER TO READ AS FOLLOWS [EFFECTIVE
3 JANUARY 1, 2000]:

4 **Chapter 20. Income Tax Credit for Property Tax Paid on**
5 **Inventory**

6 **Sec. 1.** As used in this chapter, "inventory" has the meaning set
7 forth in IC 6-1.1-3-11.

8 **Sec. 2.** As used in this chapter, "property tax" means the tax
9 imposed on property under IC 6-1.1. However, the term does not
10 include interest or a penalty imposed under IC 6-1.1.

11 **Sec. 3.** As used in this chapter, "state income tax liability"
12 means a taxpayer's total income tax liability incurred under
13 IC 6-2.1 and IC 6-3, as computed after the application of all credits
14 that under IC 6-3.1-1-2 are to be applied before the credit provided
15 by this chapter.

16 **Sec. 4. (a)** A taxpayer is entitled to a refundable credit against
17 the taxpayer's state income tax liability for a taxable year equal to

1999

IN 1511—LS 6531/DI 92+



the product of:

(1) the appropriate percentage specified in subsection (b), as adjusted under subsection (c); multiplied by

(2) the amount of property taxes paid on inventory by the taxpayer during the taxable year.

(b) The percentage that a taxpayer may claim as a credit against the taxpayer's state income tax liability for a taxable year depends on the calendar year in which the property taxes on inventory were paid and is the lesser of the rate determined under subsection (c) or the rate set forth for the calendar year in the following table:

CALENDAR YEAR IN WHICH INVENTORY TAXES ARE PAID	PERCENT OF INVENTORY TAXES ALLOWED AS A CREDIT
2000	8.2%
2001	17.5%
2002	25.3%
2003	32.3%
2004 and thereafter	38.1%

(c) Not later than November 1 of each year, the department of state revenue, with the assistance of the state board of tax commissioners, shall determine the inventory tax credit percentage that will result in a total of tax credits allowed under this chapter for the ensuing calendar year that does not exceed the following:

(1) For property taxes first due and payable in 2000, thirty million dollars (\$30,000,000).

(2) For property taxes first due and payable in 2001, sixty-eight million dollars (\$68,000,000).

(3) For property taxes first due and payable in 2002, one hundred five million dollars (\$105,000,000).

(4) For property taxes first due and payable in 2003, one hundred forty-three million dollars (\$143,000,000).

(5) For property taxes first due and payable in 2004 and each calendar year after 2004, one hundred eighty million dollars (\$180,000,000).

The department of state revenue shall publish the credit percentage applicable to a calendar year in the Indiana Register and in the instructions for the appropriate state tax forms. A taxpayer is entitled to use the published credit percentage for a calendar year even if the total of property tax credits granted in the year exceed the total amount allowable under this subsection.

(d) If a taxpayer pays property taxes in two (2) different calendar years during the taxpayer's same taxable year, the



taxpayer shall apply the appropriate percentage specified for each calendar year to the property taxes paid in each calendar year to compute the credit for the taxable year.

(e) If the amount computed by a taxpayer under this section for a taxable year exceeds the amount of the taxpayer's state tax liability for the same taxable year, the taxpayer is entitled:

(1) to a refund of the excess; or

(2) to carry the excess over to the taxpayer's immediately following taxable year and to use the excess as a credit to reduce the taxpayer's state income tax liability for that taxable year.

Sec. 5. Each partnership (except a corporate partnership) and each corporation described in IC 6-3-2-2.8(2) shall, for each taxable year, allocate among its partners or shareholders an amount equal to the amount of personal property tax paid on inventory by the partnership or corporation during the taxable year. The partnership or corporation shall make the allocation in the same manner that it allocates income among its partners or shareholders. The amount allocated to each partner or shareholder shall be treated as having been paid by the partner or shareholder during that taxable year.

Sec. 6. An income tax credit provided by this chapter must be claimed by a taxpayer on the taxpayer's annual state income tax return in the manner prescribed by the department.

Sec. 7. The state board of tax commissioners and local property tax officials shall verify information related to the credit provided by this chapter when requested by the department.

Sec. 8. The department shall apply a credit to which a taxpayer is entitled under this chapter in the following order:

(1) Against the taxpayer's gross income tax liability (IC 6-2.1) for the taxable year.

(2) Against the taxpayer's adjusted gross income tax liability (IC 6-3-1 through IC 6-3-7) for the taxable year.

(3) Against the taxpayer's supplemental net income tax liability (IC 6-3-8) for the taxable year.

SECTION 2. [EFFECTIVE JULY 1, 1999] IC 6-3.1-20, as added by this act, applies only to taxable years that begin after December 31, 1999. Notwithstanding IC 6-3.1-20, as added by this act, the department of state revenue, before November 2, 1999, shall compute the percentage required under IC 6-3.1-20-4(c), as added by this act, for taxable year 2000.

